

Message Text

CONFIDENTIAL POSS DUPE

PAGE 01 TOKYO 03745 291140 Z

47

ACTION INR-10

INFO OCT-01 EUR-25 EA-11 ADP-00 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-14 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

SAL-01 L-03 H-02 PA-03 PRS-01 USIA-12 ABF-01 FS-01

RSR-01 /169 W

----- 052645

R 290926 Z MAR 73

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 2700

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION USEC BRUSSELS

ZUFNPS/USOECD MISSION PARIS

C O N F I D E N T I A L TOKYO 3745

NO FORN

E. O. 11652: GDS

TAGS: EFIN

SUBJ: CURRENT INTL FINANCIAL SITUATION (C-EB-57203)

REF: STATE 54202

1. ATTENDANCE AT C-20 OF MOST TOP INTL FINANCIAL OFFICIALS WHO WERE INVOLVED IN RECENT PARIS TALKS HAS MADE IT DIFFICULT TO GET KNOWLEDGABLE OFFICIAL REACTION TO MANY QUESTIONS POSED IN REFTEL. FURTHERMORE, SEVERAL QUESTIONS (E. G. PARAS 2, 3, 6) NOT OF PRIME CONCERN TO JAPAN.

2. OPINION REGARDING U. S. OFFERS OF COOPERATION (PARA 4) CAN BE REPORTED. OFFICIALS RECOGNIZE U. S. WILLINGNESS TO INTERVENE IN EXCHANGE MARKETS AS IMPORTANT ELEMENT IN
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 TOKYO 03745 291140 Z

PAVING WAY FOR CHANGE IN PSYCHOLOGICAL CLIMATE NECESSARY TO REOPEN FOREX MARKETS. WHILE THEY FULLY AWARE OF LIMITED NATURE OF U. S. COMMITMENT, THEY FEEL THAT IT WAS A GENUINE U. S. CONTRIBUTION IN CIRCUMSTANCES IN WHICH U. S. FINDS ITSELF. IN GENERAL, OFFICIAL ATTITUDE HAS BEEN QUITE POSITIVE REGARDING RESULTS OBTAINED IN PARIS AND U. S. PARTICIPATION. FOLLOWING IS REACTION BY KNOWLEDGABLE BANKERS WHICH IS MUCH MORE CRITICAL. THEY POINT TO LIMITED CONTRIBUTION U. S. MADE WHICH PARTLY OFFSET BY PHASING OUT OF U. S. CAPITAL CONTROL S. JAPANESE NOT REALLY WELL INFORMED ON U. S. CONTROLS NOR THEIR DECREASING EFFECTIVENESS OVER THE YEARS. RECENT EXCHANGE CRISIS HAS RE- ORIENTED FOCUS OF ATTENTION FROM EXPLAINING WHY JAPAN NEEDS MORE TIME FOR ADJUSTMENT PROCESS TO OPERATE TO VIEWING GENERAL PROBLEM AS ONE OF BENIGN NEGLECT BY U. S. THEREFORE U. S. OFFERS OF COOPERATION VIEWED AS TOKENISM. THEY BELIEVE REAL SUBSTANCE WOULD BE FIRM U. S. COMMITMENT ON CONVERTIBILITY WHICH THEY BELIEVE IS AN URGENT MATTER. HOWEVER, THEY NOT ABLE TO EXPLAIN WHY RESUMPTION OF DOLLAR CONVERTIBILITY WOULD BE A GUARANTEE AGAINST YET ANOTHER EXCHANGE MARKET CRISIS. MOREOVER, VERY LITTLE APPRECIATION THAT CONVERTIBILITY, OTHER ASPECTS OF REFORM AND U. S. BP RECOVERY ALL INSEPARABLY LINKED TOGETHER.

3. RE PARA 7, JAPAN NOW FINDS ITSELF IN QUANDRY. PRIVATE OPINION ALMOST UNANIMOUS THAT YEN FLOAT NEEDS TO BE TERMINATED AT EARLIEST POSSIBLE MOMENT. THIS IS BECAUSE TRANSACTIONS GENERALLY DENOMINATED IN DOLLARS AND EXPORTERS MUST PREDICT FUTURE YEN/ DOLLAR RATE IN SIGNING CONTRACTS EVEN FOR SHORT DELIVERY. ALSO WELL AWARE THAT IF EC FLOAT CONTINUES FOR SOME PERIOD OF TIME JAPAN MUST DECIDE WHETHER TO (A) CONTINUE YEN FLOAT OR (B) PEG AGAINST EITHER DOLLAR OR EC CURRENCIES. DOLLAR PEG WOULD BE MOST LOGICAL IN TERMS OF ECONOMIC AND FINANCIAL RELATIONS BUT BUSINESS BELIEVES THIS WOULD ALSO TIE JAPAN MORE CLOSELY THAN EVER TO U. S. DESTINY. AT PRESENT THEY ARE NOT CERTAIN WHETHER THIS WOULD BE IN JAPAN' S INTEREST. ON OTHER HAND, IF PEG IS WITH EUROPE, THEY WOULD WANT TO KNOW WHAT OBLIGATIONS, IF ANY, THEY WOULD HAVE TO ACCEPT AS CONSEQUENCE. FOR THIS REASON, BUSINESS SEES SOME ADVANTAGES IN KEEPING OPTIONS OPEN BY CONTINUING FLOAT. PERHAPS THEY ARE INTERESTED IN FINDING WAY FOR JAPAN TO ACHIEVE BEST OF ALL POSSIBLE WORLDS WITHOUT HAVING TO ACCEPT TOO MANY OBLIGATIONS.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 TOKYO 03745 291140 Z

4. BUSINESS VIEWS MAIN RESULTS OF MEETING AS SOME ASSURANCE THAT EXCHANGE MARKET FLUCTUATIONS WILL BE KEPT ON

MODERATE LIMITS. PARTICIPATION BY U. S. EVEN IN LIMITED MANNER IS VIEWED AS BENEFICIAL IF NOT INDISPENSABLE. THEIR VIEWS SUGGEST THAT DIRTY FLOATS HAVE BEEN LEGALIZED. THEIR OWN INTEREST IS TO PREVENT TOO SHARP A RISE IN YEN WHETHER OR NOT THIS IS CONSISTENT WITH ACHIEVEMENT OF EQUILIBRIUM IN JAPAN'S BALANCE OF PAYMENTS.

5. IN MANY WAYS RECENT FINANCIAL DEVELOPMENTS HAVE BEEN ANOTHER TRAUMA OR "SHOCK" FOR JAPANESE. CURRENT VIEWS MAY MERELY BE FIRST STEPS TOWARDS FORMULATING NEW OUTLOOK ON HOW THE INTERNATIONAL FINANCIAL SYSTEM SHOULD OPERATE. CURRENT VIEWS ARE NOT SO STRONGLY HELD AS TO PRECLUDE JAPANESE BUSINESSMEN IN CONCURRING IN NEW MONETARY ARRANGEMENTS THAT THE C-20 MAY AGREE UPON. BANKERS EAGERLY AWAITING CONCLUSION OF THE DISCUSSIONS AND THE ANNOUNCEMENT OF AN AGREEMENT BEFORE NAIROBI MEETING.
INGERSOLL

CONFIDENTIAL

*** Current Handling Restrictions *** n/a

*** Current Classification *** CONFIDENTIAL

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 29 MAR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973TOKYO03745
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: RR
Errors: n/a
Film Number: n/a
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730344/aaaaitga.tel
Line Count: 136
Locator: TEXT ON-LINE
Office: ACTION INR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 73 STATE 54202
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 01 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01-Aug-2001 by willialc>; APPROVED <07-Sep-2001 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> wfs 980126
Subject: CURRENT INTL FINANCIAL SITUATION (C- EB-57203)
TAGS: EFIN, GM, JA
To: BONN
EC BRUSSELS
INR
LONDON
PARIS
ROME
SECSTATE WASHDC

ZUFNPS/ USOECD MISSION PARIS

Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005